



OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSAL

FOR

PROFESSIONAL AUDITING SERVICES

OCTOBER 23, 2009

**STATE OF DELAWARE'S COMPREHENSIVE ANNUAL FINANCIAL REPORT
DELAWARE LOTTERY OFFICE
DEPARTMENT OF TRANSPORTATION (CONSOLIDATED FINANCIAL STATEMENTS)
DELAWARE TRANSPORTATION AUTHORITY, TRANSPORTATION TRUST FUND
DEPARTMENT OF TRANSPORTATION (DOT), DELAWARE TRANSIT CORPORATION
OFFICE OF STATE TREASURER'S QUARTERLY BANK RECONCILIATIONS**

AND

**STATE OF DELAWARE'S OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133
AUDIT**

RFP10-CPA-02

by

State of Delaware
Office of Auditor of Accounts
Townsend Building, Suite 1
401 Federal Street
Dover, Delaware 19901

OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSAL

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OFFICE OF AUDITOR OF ACCOUNTS
REQUEST FOR PROPOSAL

I. INTRODUCTION

A. General Information

In accordance with 29 *Del. C.* Chapter 69, Subchapter VI, *Professional Services*, the Office of Auditor of Accounts (AOA) is distributing this Request for Proposal (RFP) to, and requesting proposals from qualified certified public accounting firms (big 4 firms only) to audit the following financial statements and the Office of Management and Budget (OMB) Circular A-133 Audit for the fiscal years ending June 30, 2010, 2011, and 2012, with the option of auditing for two additional two-year periods (subsequent fiscal years). **The contract will be awarded to one firm.**

- State of Delaware's Comprehensive Annual Financial Report (CAFR) (Basic Financial Statements)
- Delaware Lottery Office
- Department of Transportation (Consolidated Financial Statements)
- Delaware Transportation Authority, Transportation Trust Fund (TTF)
 - o Includes audit of revenues in excess of maximum rate of return of TTF agreement (2 *Del. C.*, Chapter 20, Section 2006, (e).
- Department of Transportation (DOT), Delaware Transit Corporation (DTC)
- Office of State Treasurer's Quarterly Bank Reconciliations (Agreed-Upon Procedures)
- State of Delaware's Office of Management and Budget (OMB) Circular A-133 Audit for the fiscal years ending June 30, 2010, 2011, and 2012.

These audits are to be performed in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits set forth in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*; and for OMB A-133, the provisions of The Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The agreed-upon procedures engagement will be performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and attestation standards established by the American Institute of Certified Public Accountants.

For Financial Audits AOA does not separately contract with a CPA firm to perform IT work over financial systems related to the scope of any audits listed in this RFP [including DFMS (the State's financial system), BACIS (DOT's financial system), PHRST (the State's payroll system), the Unemployment Insurance system, or DOT revenue/toll systems]. Any IT audit work necessary to gain reliance on IT systems is the responsibility of the successful firm and should be incorporated into the cost proposal fee for each audit.

For OMB A-133 Audit – If IT work is deemed necessary, a separate addendum will be executed.

There is no expressed or implied obligation for AOA to reimburse responding firms for any costs or expenses incurred in preparing proposals in response to this request. AOA will not pay any costs or expenses incurred by any firm associated with any aspect of responding to this RFP, including proposal preparation, printing, or delivery, or the negotiation process. Additionally, no indirect reimbursements (e.g., in the form of credits or reductions to any agreed upon compensation) shall be made to any responding firm by AOA for any such costs or expenses.

A *mandatory* pre-proposal conference for all the firms interested in submitting a proposal will be held at 11:00 a.m. on November 4, 2009, in the Office of Auditor of Accounts' 3rd Floor Conference Room, Townsend Building, 401 Federal Street, Dover, DE 19901 to answer questions about the audits. After this *mandatory* pre-proposal conference, any inquiries concerning the RFP should be addressed to both of the following AOA personnel.

Tammy L. Bailey, CPA, CFE, Audit Manager

302-857-3925 (Tammy.Bailey@state.de.us)

Candace M. Casto, CGFM, Senior Manager, Contracts & Administration

302-857-3910 (Candace.Castor@state.de.us)

To be considered, ***five*** copies of the *technical* proposal must be sent to Tammy L. Bailey, Audit Manager, and ***five*** copies of the *cost* proposal must be sent to Candace M. Casto, Senior Manager, Contracts & Administration, at Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901 by 3 p.m. (EST) on November 18, 2009. **ALL PROPOSALS MUST BE DELIVERED TO AOA'S THIRD FLOOR OFFICE IN THE TOWNSEND BUILDING, SUITE 1, 401 FEDERAL STREET, DOVER, DE 19901. IF USING FEDERAL EXPRESS OR ANOTHER COMPANY, PLEASE DO NOT DELIVER TO THE DIVISION OF CORPORATIONS OR ANY OTHER AGENCY IN THE TOWNSEND**

BUILDING. AOA reserves the right, exercised in its sole discretion, to reject any or all proposals submitted.

Proposals submitted may be evaluated by the following: Director of Audit Services; Deputy Auditor; Senior Manager, Contracts & Administration; Audit Manager; and/or Audit Supervisor if he/she is in charge or involved with the audit. A representative from the auditee's office and/or oversight agency may also be on the Evaluation Committee.

During the evaluation process, AOA's staff reserves the right, where it may serve the State of Delaware's best interests, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of AOA staff or the Evaluation Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

AOA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

It is anticipated the selection of a firm will be completed by December 4, 2009. Following the notification of the selected firm, it is expected a contract will be executed between both parties by December 18, 2009.

B. Term of Engagement

A three-year contract is contemplated, with the option to audit the following financial statements and the OMB Circular A-133 Audit for two additional two-year periods (subsequent fiscal years) subject to the satisfactory negotiation of terms (including a cost acceptable to both AOA and the selected firm) and the annual availability of an appropriation by the Legislature.

- State of Delaware's Comprehensive Annual Financial Report (CAFR) (Basic Financial Statements)
- Delaware Lottery Office
- Department of Transportation (Consolidated Financial Statements)
- Delaware Transportation Authority, Transportation Trust Fund (TTF)
- Department of Transportation (DOT), Delaware Transit Corporation (DTC)
- Office of State Treasurer's Quarterly Bank Reconciliations (Agreed-Upon Procedures)

- State of Delaware's Office of Management and Budget (OMB) Circular A-133 Audit

C. Subcontracting

Firms submitting proposals are encouraged to consider subcontracting portions of the engagement to small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals. If this is to be done, that fact, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of AOA.

II. NATURE OF SERVICES REQUIRED

A. General

AOA is soliciting the services of qualified certified public accounting firms (big 4 firms only) to audit the following financial statements and the OMB Circular A-133 Audit for the fiscal years ending June 30, 2010, 2011, and 2012, with the option to audit for two additional two-year periods (subsequent fiscal/calendar years). These audits are to be performed in accordance with the provisions contained in this RFP.

- State of Delaware's Comprehensive Annual Financial Report (CAFR) (Basic Financial Statements)
- Delaware Lottery Office
- Department of Transportation (Consolidated Financial Statements)
- Delaware Transportation Authority, Transportation Trust Fund (TTF)
 - o Includes audit of revenues in excess of maximum rate of return of TTF agreement (2 Del. C., Chapter 20, Section 2006, (e).
- Department of Transportation (DOT), Delaware Transit Corporation (DTC)
- Office of State Treasurer's Quarterly Bank Reconciliations (Agreed-Upon Procedures)
- State of Delaware's Office of Management and Budget (OMB) Circular A-133 Audit

B. Scope of Work to be Performed

AOA desires the auditor to express an opinion on the fair presentation of the following basic financial statements and the OMB Circular A-133 Audit in conformity with accounting principles generally accepted in the United States of America and auditing standards generally accepted in the United States of

America and the standards for financial audits set forth in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*.

- State of Delaware's Comprehensive Annual Financial Report (CAFR) (Basic Financial Statements)
- Delaware Lottery Office
- Department of Transportation (Consolidated Financial Statements)
- Delaware Transportation Authority, Transportation Trust Fund (TTF)
 - o Includes audit of revenues in excess of maximum rate of return of TTF agreement (2 Del. C., Chapter 20, Section 2006, (e).
- Department of Transportation (DOT), Delaware Transit Corporation (DTC)
- Office of State Treasurer's Quarterly Bank Reconciliations (Agreed-Upon Procedures)
- State of Delaware's Office of Management and Budget (OMB) Circular A-133 Audit

AOA also desires the auditor to express an opinion on the fair presentation of its combining and individual fund financial statements and schedules in conformity with accounting principles generally accepted in the United States of America. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

C. Auditing Standards to be Followed

To meet the requirements of this RFP, the financial statement audits shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the

Government Auditing Standards, issued by the Comptroller General of the United States.

The OMB Circular A-133 Audit is to be performed in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits set forth in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*; and the provisions of The Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The agreed-upon procedures engagement will be performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and attestation standards established by the American Institute of Certified Public Accountants.

D. Reports to be Issued

Following the completion of each audit of the fiscal year's financial statements, the auditor shall issue the following written reports.

1. Independent Auditor's Report - A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
2. Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.

In the required report(s) on compliance and internal controls, the auditor shall communicate any significant deficiencies found during the audit. A significant deficiency is a deficiency in internal controls, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, such that there is a remote likelihood that a misstatement that is more than inconsequential will not be prevented or detected.

Significant deficiencies that are also material weaknesses shall be identified as such in the report. A material weakness as defined by the AICPA and GAO standards is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement will not be prevented or detected.

The report on compliance and internal controls shall include all material instances of noncompliance. All nonmaterial instances of noncompliance

shall be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.

3. (A-133) Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
4. (A-133) Independent Auditor's Report on Schedule of Expenditures of Federal Awards.
5. Data Collection Form – Contractor will complete the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

The State of Delaware is to prepare the following in accordance with OMB Circular A-133:

- a. Schedule of Expenditures of Federal Awards
- b. Summary Schedule of Prior Audit Findings
- c. Corrective Action Plan
- d. Data Collection Form

Irregularities and illegal acts. All situations or transactions that come to the auditor's attention that could be indicative of fraud, abuse, illegal acts, material errors, defalcations, or other irregularities shall be promptly reported to AOA and AOA will determine the appropriate course of action.

Reporting to the Chief Fiscal Officer or equivalent. Auditors shall assure themselves that the Chief Fiscal Officer or equivalent is informed of each of the following. It is the responsibility of the auditor to provide the communication to the audit committee, Chief Fiscal Office or equivalent. The auditor will provide AOA one copy of the communication listed below.

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements

6. Disagreements with management
7. Management consultation with other independent accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Special Considerations

1. The State of Delaware, Department of Finance, Division of Accounting, will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor may be required to provide special assistance to the Department of Finance, Division of Accounting, to meet the requirements of that program.
2. The Department of Finance, Division of Accounting, currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the financial statements, financial statement schedules, and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
3. The United States Department of Health and Human Services is the AOA's cognizant agency in accordance with the provisions of The Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
4. The following Governmental Accounting Standards Board (GASB) statements have not been adopted (if applicable).
 - GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
 - GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*
 - GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*
 - GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

The Department of Finance, Division of Accounting, may require the auditor's assistance to comply with these reporting requirements in accordance with *Government Auditing Standards*. **This assistance is not covered under this audit contract. If needed, the CONTRACTOR will enter into a separate contract with the auditee.**

F. Audit Documentation Retention and Access to Audit Documentation

All audit documentation and reports must be retained, at the auditor's expense, for a minimum of three years, unless the firm is notified in writing by AOA of the need to extend the retention period. The auditor will be required to make audit documentation available, upon request, to the following parties or their designees:

- Office of Auditor of Accounts
- U.S. Department of Health and Human Services
- U.S. Government Accountability Office (GAO)
- Parties designated by the federal or state governments or by AOA as part of an audit quality review process
- AOA Peer Review Team

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review audit documentation relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Location of Office

The records for the CAFR, Lottery, DOT, and Bank Reconciliations audits are primarily located in Dover, DE with the exception of Statewide testing to various State agencies/school districts for the CAFR. The OMB Circular A-133 audit records are located in both Dover and Wilmington, DE.

A list of State agencies and school districts audited for the Fiscal Year 2009 A-133 audit is found in Appendix B.

B. Background Information

The State of Delaware's fiscal year begins on July 1 and ends on June 30.

More detailed information on the government and its finances can be found in

- **AUDITEE’S WEBSITE**
 - <http://www.delaware.gov>
- **BUDGET ACT**
 - <http://legis.delaware.gov/BillTracking>
- **DELAWARE CODE**
 - <http://delcode.delaware.gov>
- **BUDGET AND ACCOUNTING MANUAL**
 - <http://www.budget.delaware.gov/accounting-manual/account-manual.shtml>
- **BUDGET MEMORANDA**
- **ACCOUNTING MEMORANDA**

C. Prior Year Reports

A copy of each prior year’s audit report, may be found on AOA’s website at http://auditor.delaware.gov/Audits/financial_compliance.shtml.

D. Basis of Accounting

The financial statements for each are prepared in accordance with generally accepted accounting principles.

E. Pension Plans

The State of Delaware’s Pension Plan is a cost-sharing single employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities. More information can be obtained on the Office of Pension’s website at www.delawarepensions.com.

F. Component Units

The State of Delaware’s CAFR is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using this criteria, component units are included in the State of Delaware's financial statements.

The management of the Department of Finance, Division of Accounting, identified the following component units for inclusion in the State of Delaware's financial statements:

Discretely Presented Component Units

- Delaware State Housing Authority (FY09 audited by Barbacane, Thornton & Company)
- Diamond State Port Corporation (FY09 audited by McBride, Shopa & Company, P.A.)
- Riverfront Development Corporation of Delaware (FY09 audited by Rowland, Johnson & Company, P.A.)
- Delaware State University (FY09 audited by Grant Thornton)
- Delaware Technical & Community College (DTCC) Educational Foundation (FY09 audited by Santora CPA Group)
- Delaware Charter Schools (audits arranged by each Charter School)

Blended Component Unit – Delaware Public Employees’ Retirement System (FY09 audited by KPMG LLP)

The auditors of the component units are contractually obligated to provide information needed for the audit of the State of Delaware CAFR with the exception of the Riverfront Development Corporation of Delaware, DTCC Educational Foundation, and the Charter Schools.

G. Joint Ventures

The State of Delaware does not participate in joint ventures with other governments.

H. Finance Operations

Each agency has their own respective finance department. The CAFR is prepared by the staff of the Department of Finance, Division of Accounting.

I. Computer Systems

The State of Delaware’s current accounting system is the Delaware Financial Management System (DFMS). A new accounting system, PeopleSoft, will replace DFMS and is scheduled to go live in July 2010. The State’s payroll and human resource information is run on the Payroll Human Resources Statewide Technology (PHRST) System (which is a web-based PeopleSoft version 8.8). An upgrade to version 8.9 is also planned for July 2010.

J. Internal Audit Function

There is no internal audit function for the Division of Accounting. The only agency that has an internal audit function is the Department of Transportation.

K. Availability of Prior Audit Reports and Audit Documentation

Interested proposers who wish to review prior audit documentation should contact either Ms. Kimberly Zink, Support Services Administrator, at 302-857-3904, or Ms. Candace Casto, Senior Manager, Contracts & Administration, at 302-857-3910.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

- Request for proposal issued October 23, 2009
- Pre-proposal conference November 4, 2009
- Due date for proposals November 18, 2009

B. Notification and Contract Dates

- Selected firm notified December 4, 2009
- Contract date December 18, 2009

C. Date Audit May Commence

Work may start once the contract is fully executed and a State of Delaware purchase order is established. The fiscal records are available each year for audit by July. Interim work may be scheduled with each auditee in the spring.

D. Audit Schedule for the Fiscal Year Audit

The Contractor shall provide each auditee with an audit schedule and a list of all information to be provided by the respective agency/school district for each fiscal year.

E. Entrance and Exit Conferences

At a minimum, an entrance and exit conference must be held with each department's fiscal officer and key personnel. The Contractor must keep the auditee updated on the progress of the audit. All findings/recommendations must be discussed with each auditee before the team leaves the audit site.

F. Reports

1. Draft Reports - The auditor shall provide an electronic version of each draft report and management letter, if applicable, to the Chief Fiscal Officer for their review and approval. Each respective Chief Fiscal Officer should complete their review of the draft report as expeditiously as possible. During management review, the CONTRACTOR should be available to discuss the audit report. After all issues are resolved and management has approved the draft report and management letter, an electronic version of each draft report and management letter shall be forwarded to AOA Attention Tammy L. Bailey (Tammy.Bailey@state.de.us) for review and a copy to Kimberly Zink (Kimberly.Zink@state.de.us) by the following dates:

State' CAFR

- | | |
|--------------------|------------------|
| • Fiscal Year 2010 | December 1, 2010 |
| • Fiscal Year 2011 | December 1, 2011 |
| • Fiscal Year 2012 | December 3, 2012 |

Lottery Office

- | | |
|--------------------|-------------------|
| • Fiscal Year 2010 | September 1, 2010 |
| • Fiscal Year 2011 | September 1, 2011 |
| • Fiscal Year 2012 | September 4, 2012 |

DOT, TTF (includes DOT Consolidated F/S)

- | | |
|--------------------|-------------------|
| • Fiscal Year 2010 | September 1, 2010 |
| • Fiscal Year 2011 | September 1, 2011 |
| • Fiscal Year 2012 | September 4, 2012 |

DOT, DTC

- | | |
|--------------------|-------------------|
| • Fiscal Year 2010 | September 1, 2010 |
| • Fiscal Year 2011 | September 1, 2011 |
| • Fiscal Year 2012 | September 4, 2012 |

Quarterly Bank Reconciliations

Quarters 1 & 2

- | | |
|--------------------|----------------|
| • Fiscal Year 2010 | April 9, 2010 |
| • Fiscal Year 2011 | April 11, 2011 |
| • Fiscal Year 2012 | April 9, 2012 |

Quarters 3 & 4

- | | |
|--------------------|--------------------|
| • Fiscal Year 2010 | September 10, 2010 |
| • Fiscal Year 2011 | September 9, 2011 |
| • Fiscal Year 2012 | September 10, 2012 |

Local School Districts' Consolidated Schedule

- | | |
|--------------------|------------------|
| • Fiscal Year 2010 | December 1, 2010 |
| • Fiscal Year 2011 | December 1, 2011 |
| • Fiscal Year 2012 | December 3, 2012 |

OMB Circular A-133

- | | |
|--------------------|------------------|
| • Fiscal Year 2010 | February 1, 2011 |
| • Fiscal Year 2011 | February 1, 2012 |
| • Fiscal Year 2012 | February 1, 2013 |

2. Final Reports – The final report and management letter, if applicable, (one printed copy, unless otherwise noted below, and a PDF electronic copy of each agency's report) is due to AOA, Attention Kimberly Zink (Kimberly.Zink@state.de.us) by the following dates. AOA may perform a quality control review of the audit documentation prior to the issuance of the audit report.

State' CAFR (3 Printed Copies)

- | | |
|--------------------|-------------------|
| • Fiscal Year 2010 | December 30, 2010 |
| • Fiscal Year 2011 | December 30, 2011 |
| • Fiscal Year 2012 | December 31, 2012 |

Lottery Office

- | | |
|--------------------|--------------------|
| • Fiscal Year 2010 | September 30, 2010 |
| • Fiscal Year 2011 | September 30, 2011 |
| • Fiscal Year 2012 | September 28, 2012 |

DOT, TTF (includes DOT Consolidated F/S)

- | | |
|--------------------|--------------------|
| • Fiscal Year 2010 | September 30, 2010 |
| • Fiscal Year 2011 | September 30, 2011 |
| • Fiscal Year 2012 | September 28, 2012 |

DOT, DTC

- | | |
|--------------------|--------------------|
| • Fiscal Year 2010 | September 30, 2010 |
| • Fiscal Year 2011 | September 30, 2011 |
| • Fiscal Year 2012 | September 28, 2012 |

Quarterly Bank ReconciliationsQuarters 1 & 2

- | | |
|--------------------|----------------|
| • Fiscal Year 2010 | April 30, 2010 |
| • Fiscal Year 2011 | April 29, 2011 |
| • Fiscal Year 2012 | April 30, 2012 |

Quarters 3 & 4

- | | |
|--------------------|--------------------|
| • Fiscal Year 2010 | September 30, 2010 |
| • Fiscal Year 2011 | September 30, 2011 |
| • Fiscal Year 2012 | September 28, 2012 |

Local School Districts' Consolidated Schedule

- | | |
|--------------------|-------------------|
| • Fiscal Year 2010 | December 30, 2010 |
| • Fiscal Year 2011 | December 30, 2011 |
| • Fiscal Year 2012 | December 31, 2012 |

OMB Circular A-133

- | | |
|--------------------|----------------|
| • Fiscal Year 2010 | March 18, 2011 |
| • Fiscal Year 2011 | March 16, 2012 |
| • Fiscal Year 2012 | March 15, 2013 |

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Assistance

The finance department staff and responsible management personnel for each agency will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation and cost of confirmations will be the responsibility of the CONTRACTOR.

B. Report Preparation

Report preparation, editing, and printing shall be the responsibility of the CONTRACTOR. The draft report must have a supervisory and technical review before it is submitted to AOA.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. *Mandatory* Pre-proposal Conference

Firms interested in submitting a proposal must attend a mandatory pre-proposal conference at 11:00 a.m. on November 4, 2009 in the Office of Auditor of Accounts' 3rd Floor Conference Room, Townsend Building, 401 Federal Street, Dover, DE 19901. Both verbal and written questions will be accepted during the conference. Representatives from some of the agencies will be available at the conference to discuss their operations.

2. Inquiries

Inquiries concerning the RFP and the subject of the RFP must be made to:

Tammy L. Bailey, CPA, CFE
Audit Manager
302-857-3925
Tammy.Bailey@state.de.us

AND

Candace M. Casto, CGFM
Senior Manager, Contracts & Administration
302-857-3910
Candace.Casto@state.de.us

Direct contact with State of Delaware or AOA employees other than the above-referenced contacts regarding this RFP is expressly prohibited without prior consent. Firms contacting State of Delaware or AOA employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State of Delaware who require contact in the normal course of business.

3. Submission of Proposals

To be considered, all proposals must be submitted by the due date listed in Section IV, A. to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901, in writing and respond to the items outlined in this RFP using the following required format. AOA reserves the right to reject any non-responsive or non-conforming proposals, as well as proposals received after the specified date and time. By submitting a proposal, and in consideration of AOA's efforts and representations with respect to the review and evaluation of its proposal, the firm expressly agrees to be bound by the terms and conditions of this RFP in the event it is selected for the engagement. The following material is required to be received by the due dates listed for a firm to be considered.

B. Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the agencies listed in Section I., A. in conformity with the requirements of this RFP. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should list the particular staff to be assigned to this engagement, and specify an audit approach that will meet the RFP requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the RFP (excluding any cost information which should only be included in the sealed

dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included in the required format. Those subjects represent the criteria against which the proposal will be evaluated.

1. Required Format - A master copy (so marked) of a sealed Technical Proposal and four copies (total of **five** copies) to include the following. **The RFP reference number (RFP10-CPA-02) must be noted on the outside of the sealed envelope along with "Technical Proposal."**

- a. Title Page

Title page showing RFP subject; RFP reference number; the firm's name; the contact's name, address, telephone number, and e-mail address; and the date of the proposal. The transmittal letter must also clearly state and justify any exceptions to the requirements of the RFP that the applicant may have taken in presenting the proposal.

- b. Table of Contents

Table of contents should clearly identify each section by page number.

- c. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it is best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for one month after due date of proposal.

- d. Detailed Proposal

The proposal must conform to the proposal requirements of the RFP. AOA specifically reserves the right to waive any informalities or irregularities in the proposal format. The detailed proposal should follow the order set forth in Section VI B and C of this RFP.

2. Mandatory Criteria (all criteria must be met or the proposal cannot be considered)

a. Independence

The firm should provide an affirmative statement that it is independent of the agencies listed in Section I., A as defined by auditing standards generally accepted in the United States of America and the U.S. Government Accountability Office's *Government Auditing Standards*.

The firm also should provide an affirmative statement that it is independent of all of the component units of the State of Delaware CAFR as defined by those same standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the State of Delaware or any of its agencies or component units for the past five years, together with a statement explaining why each such relationship does not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the AOA and each respective agency written notice of any professional relationships entered into during the period of this agreement.

b. License to Practice in Delaware

An affirmative statement should be included that the firm and the engagement partner and manager/supervisor in charge are currently licensed or in the process of obtaining a license as a certified public accountant to practice in the State of Delaware. The applicant must provide evidence of a valid Delaware CPA permit for all Delaware CPAs on the audit team and a business license for the firm.

3. Firm Qualifications, Experience, and Requirements

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis,

and the number and nature of the staff to be employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements. The firm must also include a copy of the letter of comments, if applicable. The firm shall certify that it has not been suspended or debarred from performing government audits or from other government activity. In addition, the firm shall certify that it has not been the subject of any disciplinary action or inquiry in any jurisdiction during the past three years.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker's Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under this Contract. The Contractor is an independent contractor and is not an employee of the State.

The Contractor shall, at its expense, carry insurance of minimum limits as follows:

- a. Comprehensive General Liability.....\$1 million per claim/
\$3 million aggregate
- b. Professional Liability.....\$1 million per claim/
\$3 million aggregate

The Contractor shall provide evidence of such insurance.

4. Partner, Supervisory, and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in the State of Delaware. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in

professional organizations relevant to the performance of this audit and whether or not that person, within the past three years, has been the subject of any disciplinary action or inquiry in any jurisdiction.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the State of Delaware's commitment to Affirmative Action. Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of AOA. However, in either case, AOA retains the right to approve or reject replacements and the replacements must have substantially the same or better qualifications or experience.

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of AOA, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

5. Prior Engagements With AOA

List separately all engagements within the last three years, ranked on the basis of total staff hours, for AOA by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

6. Similar Engagements With Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in this RFP. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this RFP. In developing the work plan, proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- c. Sample size and the extent to which sampling is to be used in the engagement.
- d. Extent of use of software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the auditee's internal control structure and test related controls (including IT structure and controls). Also, discuss COSO criteria and approach to understand internal controls using this criteria.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.
- i. Approach to be taken to manage the engagement process and ensure time and staff commitments required to meet AOA deadlines.

8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the auditee.

C. Cost Proposal

Required Format – A master copy (so marked) of a sealed Cost Proposal and four copies (total of **five** copies) to include the following. **The RFP reference number (RFP10-CPA-02) must be noted on the outside of the sealed envelope along with "Cost Proposal."**

1. Total All-Inclusive Maximum Cost

Appendix A format must be used to show the breakdown for each agency's audit cost for each fiscal year. The sealed dollar cost bid should contain all cost information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum cost to be bid is to contain all direct and indirect costs including all out-of-pocket expenses **for each fiscal year** (see Appendix A).

AOA will not be responsible for expenses incurred in preparing and submitting the sealed technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm.
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with AOA.
- c. A Total All-Inclusive Maximum Cost **for each agency audit and each fiscal year.**

2. Rates by Partner, Specialist, Supervisory, and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid must include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix A), that supports the total all-inclusive maximum

cost. **[The cost of Special Considerations described in Section II., E., of this RFP should be disclosed as separate components of the total all-inclusive maximum cost.]**

3. Out-of-Pocket Expenses Included in the Total All-inclusive Maximum Cost and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the prevailing rates used by the State of Delaware for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the sealed dollar cost bid in the format provided in the attachment (Appendix A). All expense reimbursements will be charged against the total all-inclusive maximum cost submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging, and subsistence at the prevailing rate used by the State of Delaware for its employees.

4. Rates for Additional Professional Services

If it should become necessary for AOA to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the Agreement between AOA and the firm. Any such additional work agreed to between AOA and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

The CONTRACTOR prepares the Comprehensive Annual Financial Report (CAFR) in accordance with GAAP and required supplementary information and it is important to provide the CONTRACTOR information, schedules, and comments on the dates agreed upon in the CAFR timeline (established each June) so that the CONTRACTOR can deliver the required reports on or before the contractual deadlines. Significant delays impacting the CONTRACTOR'S completion/report issuance date must be communicated to auditee management and AOA.

The CONTRACTOR is required to audit the final version of each deliverable provided by the auditee. Audit effort associated with the

review of multiple versions of documents prepared by the auditee is outside the scope of the CAFR audit fee and must be billed to the auditee, using contracted hourly rates. Any hours anticipated to fall into this category must be discussed with and agreed to by the auditee prior to the hours being incurred.

Should the size and number of major funds accounted for in the CAFR change, AOA and the CONTRACTOR will, via a contract addendum, amend the overall contract fee for the time associated with the incremental audit effort related to the change in financial statement presentation (such incremental fee will be determined by payment of incremental hours at the contracted hourly rates).

For new and existing accounting standards, the auditee will provide the CONTRACTOR with management's evaluation of the impact of the standard. The CONTRACTOR is responsible for evaluation and audit of management's evaluation/assessment only. The CONTRACTOR may assist management in interpreting the impact of the new and existing accounting standards; however, time associated with such advisory services is outside the scope of the CAFR audit fee and must be billed to the auditee using contracted hourly rates. Any hours anticipated to fall into this category must be discussed with and agreed to by the auditee prior to the hours being incurred.

5. Manner of Payment

Progress payments up to 90 percent will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Invoices shall cover a period of not less than a calendar month and must include the following: (1) name of auditee/engagement; (2) amount and if it's a progress or final invoice; and (3) a breakdown of staff and hours for each. Ten percent of the contract amount will be retained until the Exit Conference has been held and the final reports have been reviewed and accepted by AOA.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and

dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

D. Submission of Proposals

All completed sealed proposals must be delivered in person, by mail, or by carrier service (e.g., FedEx, UPS, etc.) to the following AOA personnel at AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Please do not have the proposals delivered to the Division of Corporations or any other agency.

Cost Proposal

Candace M. Casto, CGFM
Senior Manager, Contracts & Administration
302-857-3910
Candace.Casto@state.de.us

Technical Proposal

Tammy L. Bailey, CPA, CFE
Audit Manager
302-857-3925
Tammy.Bailey@state.de.us

Any proposal submitted by mail shall be sent by either certified or registered mail to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Any proposal received after the above date shall not be considered and shall be returned unopened. The proposing firm bears the risk of delays in delivery.

E. Modifications to Proposals

Any changes, amendments, or modifications to the proposal must be made in writing, submitted in the same manner as the original response and conspicuously labeled as a change, amendment, or modification to a previously submitted proposal. Changes, amendments, or modifications to proposals shall not be accepted or considered after the time and date specified as the deadline for submission of proposals.

VII. EVALUATION PROCEDURES

A. Evaluation Committee

Proposals submitted will be evaluated by an Evaluation Committee selected by AOA, which may consist of AOA and auditee personnel.

The Evaluation Committee may negotiate with one or more of the qualified firms during the same period and may, at its sole discretion, terminate negotiations with any and all firms at any time.

B. Review of Proposals

Proposals that do not meet or comply with the instructions of this RFP may be considered non-conforming and deemed non-responsive and subject to disqualification at the sole discretion of the Evaluation Committee.

The Evaluation Committee will use a point formula during the review process to score proposals. All assignments of points shall be at the sole discretion of the Evaluation Committee. Each member of the Evaluation Committee will first score each technical proposal by each of the criteria described in Section VII C below. The full Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at an average technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the cost bid. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive maximum cost. Appropriate fractional scores will be assigned to other proposers.

AOA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected and regardless of any statement of contention by a proposer to the contrary.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Only firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and cost. The following represent the principal selection criteria that will be considered during the evaluation process.

1. Mandatory Elements

All firms are required to meet these elements. No points assigned.

- a. The audit firm is independent and licensed to practice in Delaware. Please provide a copy of your firm's State of Delaware Occupational License (issued by the Division of Revenue); a copy of the firm's State of Delaware Board of Accountancy permit; and copies of the State of Delaware Board of Accountancy Permit of the engagement partner and the manager/supervisor in charge.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the State of Delaware.
- c. The firm meets the continuing professional education standards of the *Government Auditing Standards*.
- d. The firm adheres to the instructions in this RFP on preparing and submitting the proposal.
- e. The firm has an internal quality control system in place and has had an external quality control review performed within the last three years or is currently under contract to have one performed. Please submit a copy of the firm's last external quality control review report (including the letter of comments, if applicable). The firm has a record of quality audit work.
- f. The firm has the following minimum limits in insurance:
 - (1) Comprehensive General Liability..... \$1 million per claim/
\$3 million aggregate
 - (2) Professional Liability..... \$1 million per claim/
\$3 million aggregate
- g. The firm has not been suspended or debarred from performing government audits or from other governmental activity.
- h. The firm has not been the subject of any disciplinary action or inquiry during the past three years.

2. Technical Qualifications: (Maximum Points - [90])

- a. Expertise and Experience

- (1) The firm's past experience and performance on comparable government engagements.
- (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

b. Audit Approach

- (1) Adequacy of proposed staffing plan for various segments of the engagement
- (2) Compliance with *Generally Accepted Auditing Standards*
- (3) Compliance with *Government Auditing Standards*
- (4) Compliance with OMB Circular A-133

3. Cost

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

Cost scores will be based on the number of proposals accepted and reviewed. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive maximum cost. Appropriate scores will be assigned to other proposers (e.g., if there are 10 proposals accepted and reviewed, then the firm with the lowest all-inclusive cost will be assigned 10 points, and the next lowest would be assigned 9 points, etc.).

D. Reservation of Rights

The Evaluation Committee reserves the right to:

1. Select for contract or for negotiations a proposal other than that with the lowest costs.
2. Reject any and all proposals or portions of the proposals received in response to this RFP or to make no award or issue a new RFP.
3. Waive or modify any information, irregularity, or inconsistency in proposals received.

4. Request modification to proposal from any or all contractors during the review and negotiation.
5. Negotiate any aspect of the proposal with any firm and negotiate with more than one firm at the same time.

The Evaluation Committee reserves the right to reject any proposal from a firm who:

1. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;
2. Has been convicted under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offenses indicating lack of business integrity or business honesty that currently and seriously affects responsibility as a State contractor;
3. Has been convicted or has had a civil judgment entered for a violation under State or Federal antitrust statutes;
4. Has violated contract provisions such as:
 - a. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract;
 - or
 - b. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
5. Has violated ethical standards set out in law or regulation;
6. Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State contractor, including debarment by another governmental entity for cause listed in the regulations.

E. Oral Presentations

During the evaluation process, the Evaluation Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Evaluation

Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations. All costs associated with participation in oral presentations conducted for the State of Delaware are the firm's responsibility.

F. Confidentiality of Documents

All documents submitted as part of the firm's proposal will be deemed confidential during the evaluation process. Proposals will not be available for review by anyone other than AOA and the Evaluation Committee or its designated agents. There shall be no disclosure of any firm's information to a competing firm prior to award of the contract.

The State of Delaware is a public agency as defined by state law, and as such, it is subject to the Delaware Freedom of Information Act, 29 *Del. C.* Ch. 100. Under the law, all the State of Delaware's records are public records (unless otherwise declared by law to be confidential) and are subject to inspection and copying by any person. Vendor(s) are advised that once a proposal is received by the State of Delaware and a decision on contract award is made, its contents will become public record and nothing contained in the proposal will be deemed to be confidential except proprietary information.

Firms shall not include any information in their proposal that is proprietary in nature or that they would not want to be released to the public. Proposals must contain sufficient information to be evaluated and a contract written without reference to any proprietary information. If a firm feels that it cannot submit its proposal without including proprietary information, it must adhere to the following procedure or their proposal may be deemed unresponsive and will not be recommended for selection. Firm(s) must submit such information in a separate, sealed envelope labeled "Proprietary Information" with the RFP number. The envelope must contain a letter from the firm's legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not "public record" as defined by 29 *Del. C.* § 10002(d), and briefly stating the reasons that each document meets the said definitions.

G. Final Selection

The AOA will select a firm based upon the recommendation of the Evaluation Committee. Neither AOA nor the Evaluation Committee nor the State of Delaware has any obligation to provide any firm with information or documentation related to the selection process and its decision with respect to this RFP beyond that which is described and required in this RFP or required by applicable law.

It is anticipated that a firm will be selected by December 4, 2009. Following notification of the firm selected, it is expected a contract will be executed between both parties by December 18, 2009.

H. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

AOA reserves the right without prejudice to reject any or all proposals.

VIII. CONTRACT CONDITIONS

The firm awarded the contract will be required to enter into a written agreement with AOA. AOA reserves the right to incorporate standard State of Delaware contractual provisions into any contract negotiated as a result of a proposal submitted in response to an RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by AOA. The firm shall be referred to as "CONTRACTOR" in the agreement.

The selected firm will be expected to enter negotiations with AOA, which will result in a formal agreement between the parties. Procurement will be in accordance with the subsequent contracted agreement. This RFP and the selected firm's response to this RFP will be incorporated as part of any formal agreement.

If the firm to whom the contract is awarded fails to enter in the agreement as herein provided, the award will be annulled and an award may be made to another firm. Such firm shall fulfill every stipulation embraced therein as if they were the party to whom the first award was made.

The selected firm under this RFP shall be subject to contractual provisions, in a form substantially similar to the following, as well as those agreed to by the parties and not specifically described herein.

A. Term

The term of the contract between the successful firm and AOA shall be determined by AOA with consideration of the agency's request. The agreement may be terminated by AOA at any time by giving written notice to the CONTRACTOR of such termination. Upon such termination, the CONTRACTOR will be paid for the hours of work actually completed.

In the event the successful firm materially breaches any obligation under this Agreement, the CONTRACTOR shall not be relieved of any liability to the State of Delaware for damages suffered by it by virtue of any such breach. AOA may withhold any payments to CONTRACTOR for the purpose of set-off for such damages.

B. Compensation

AOA agrees to pay CONTRACTOR compensation calculated solely on the amount of audit work performed by firm's staff, based on actual hours billed and hourly rates as set forth in Appendix A herein, as well as approved out-of-pocket expenses.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

C. Non-Appropriation

In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue the contractual agreement, in whole or in part, the agreement shall be terminated, as to any obligation of the State of Delaware requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

D. Notice

Any notice to AOA required under this Agreement shall be in writing and sent by regular mail and registered mail to:

Attention: R. Thomas Wagner, Jr.
Auditor of Accounts
Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901

E. Formal Contract and Purchase Order

The successful firm shall promptly execute an agreement incorporating the terms of this RFP within twenty days after the award of the contract. No bidder is to begin any service prior to receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Accounting Office and the (Agency). The purchase order shall serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful firm.

F. Indemnification

By submitting a proposal, the proposing firm agrees that in the event it is awarded a contract, it will indemnify and otherwise hold harmless the State of Delaware, its agents and employees from any and all liability, suits, actions, or claims, together with all costs, expenses for attorney's fees, arising out of the firm's, its agents and employees' performance of work or services in connection with the contract, regardless of whether such suits, actions, claims or liabilities are based upon acts or failures to act attributable, in whole or in part, to the State of Delaware, its employees or agents.

G. Compliance

In performance of the contract the firm is required to comply with all applicable federal, state and local laws, regulations, policies, guidelines and requirements of the jurisdiction in which the Agreement is performed, as well as all applicable professional conduct rules and guidelines. The cost of permits and other relevant costs required in the performance of the contract shall be borne by the successful firm. The firm shall be properly licensed and authorized to transact business in the State of Delaware as provided in Section 2502 of Title 30 of the Delaware Code and other applicable statutes and regulations.

H. Insurance

The firm recognizes that it is operating as an independent contractor (and not an employee of the State of Delaware) and that it is liable for any and all losses, penalties, damages, expenses, attorney's fees, judgments, and/or settlements incurred by reason of injury to or death of any and all persons, or injury to any and all property, of any nature, arising out of the contractor's negligent performance under this contract, and particularly without limiting the foregoing, caused by, resulting from, or arising out of any act of omission on the part of the contractor in their negligent performance under this contract.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker’s Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under the Agreement. The firm is an independent contractor and is not an employee of the State of Delaware.

The firm shall, at its expense, carry insurance of minimum limits as follows:

Comprehensive General Liability.....	\$1 million per claim/ \$3 million aggregate
Professional Liability.....	\$1 million per claim/ \$3 million aggregate

The firm shall provide a certificate of insurance as proof that the firm has the required insurance.

I. Non-Discrimination

In performing the services subject to this RFP, the firm agrees that it will not discriminate against any employee or applicant for employment because of race, creed, age, marital status, religion, color, sex, genetic information, national origin, or disability. The successful firm shall comply with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practice. Failure to perform under this provision constitutes a material breach of contract.

J. Covenant Against Contingent Fees

The successful firm warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement of understanding for a commission or percentage, brokerage or contingent fee excepting bona-fide employees, bona-fide established commercial or selling agencies maintained by the bidder for the purpose of securing business. For breach or violation of this warranty, AOA shall have the right to annul the contract without liability or at its discretion to deduct from the contract cost or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

K. Contract Documents

The RFP, the Purchase Order and the executed Agreement between AOA and the successful firm shall constitute the Contract between AOA and the firm. In the event there is any discrepancy between any of these contract documents, the

following order of documents governs so that the former prevails over the latter: Agreement, Purchase Order, and RFP. No other documents shall be considered. These documents contain the entire agreement between AOA and the firm. Firm agrees to be bound by the terms of this RFP pending final execution of the Agreement by the parties.

L. Applicable Law

The laws of the State of Delaware shall apply, except where Federal law has precedence. The successful firm consents to exclusive jurisdiction in the State of Delaware and agrees that any litigation relating to this Agreement shall be filed and litigated in a court in the State of Delaware.

M. Scope of Agreement

If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to the law.

APPENDIX A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE _____
FOR FISCAL YEAR 20____

	<u>Hours</u>	<u>Standard</u> <u>Hourly</u> <u>Rates</u>	<u>Quoted</u> <u>Hourly</u> <u>Rates</u>	<u>Total</u>
Partner	10	\$ 195	\$ 180	\$ 1,800
Manager	15	\$ 175	\$ 150	\$ 2,250
Supervisor	63	\$ 140	\$ 125	\$ 7,875
Senior	-	\$ -	\$ -	\$ -
Staff	49	\$ 87	\$ 87	\$ 4,263
Other (Specify) _____		\$ -	\$ -	\$ -
Sub Total	<u>137</u>			<u>\$ 16,188</u>
Out-of-pocket expenses				
Meals and lodging				\$ 665
Transportation				
Other (Specify) _____				\$ 120
Total all-inclusive maximum cost for Fiscal Years 20____ - 20____ Audit				<u><u>\$ 16,973</u></u>

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum cost.

We will accept the State of Delaware's prevailing rates for travel reimbursement.

APPENDIX B

MAJOR PROGRAMS FOR FISCAL YEAR 2009

Delaware National Guard	CFDA #
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Delaware Technical and Community College (DTCC)	CFDA #
Student Financial Assistance Cluster	84.007, 84.033, 84.063
Follow-up Review of General Application Controls for the DTCC Banner System	N/A
Department of Education (DOE)	CFDA #
Title I Grants to Local Educational Agencies	84.010
Improving Teacher Quality State Grants	84.367
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
Special Education Cluster (IDEA)	84.027, 84.173
Child and Adult Care Food Program	10.558
DOE eSchoolPlus System and Delaware Student Information System (DELSIS)	N/A
Vocational Education – Career and Technical Education Basic Grants to States Preliminary Test Work	84.048
Mathematics and Science Partnerships Preliminary Test Work	84.366
Department of Health and Social Services (DHSS)	CFDA #
Temporary Assistance for Needy Families	93.558
Child Care Cluster	93.575, 93.596, 93.713
Social Services Block Grant	93.667
State Children’s Health Insurance Program	93.767
Food Stamp Cluster	10.551, 10.561
Medical Assistance Cluster	93.775, 93.777, 93.778
Special Supplemental Nutritional Program for Women, Infants, & Children	10.557
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Immunization Grants	93.268
Child Support Enforcement	93.563
HIV Care Formula Grants	93.917
Block Grants for the Prevention Treatment of Substance Abuse	93.959
Low Income Home Energy Assistance	93.568
Weatherization Assistance for Low-Income Persons	81.042
Aging Cluster Preliminary Test Work	93.044, 93.045, 93.053
Centers for Disease Control and Prevention Investigations and Technical Assistance Preliminary Test Work	93.283

APPENDIX B

MAJOR PROGRAMS FOR FISCAL YEAR 2009

Department of Safety and Homeland Security (DSHS)	CFDA #
Homeland Security Cluster	97.004, 97.067
Department of Services for Children, Youth and Their Families (DSCYF)	CFDA #
Foster Care – Title IV-E	93.658
Adoption Assistance	93.659
Department of Transportation (DOT)	CFDA #
Highway Planning and Construction Cluster	20.205, 20.219, 23.003